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TOM Group Limited

TOM集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8001)

**UPDATE ON
DISCLOSEABLE TRANSACTION
INVOLVING ISSUANCE OF NEW SHARES
in respect of
the acquisition of the equity interest in
Kunming Fench Star Information Industry Limited**

The Board announces that as the 2003 Accumulated Guaranteed Profits cannot be met, Hitech Profits will require the Dealer to sell all of the Incentive Shares (being 5,802,486 TOM Shares) deposited with it and remit the proceeds of such sale to Hitech Profits to cover part of the Shortfall.

Reference is made to the announcements of TOM Group Limited (“TOM”) dated 8th December, 2000 and 2nd March, 2001 (“Supplemental Announcement”) (collectively referred to as the “Announcements”) and the circular of TOM dated 29th December, 2000 (the “Circular”) in respect of the Fench Star Acquisition. Unless otherwise defined herein, the terms used herein shall have the same meaning as those defined in the Announcements and the Circular.

Background

Pursuant to the Share Purchase Agreement (as amended), Hitech Profits purchased the entire issued share capital of World Focus and the entire equity interest in Fench Star through certain option and pledge arrangements. Completion of the Fench Star Acquisition took place on 12th March, 2001.

At Completion, the Consideration of an amount of RMB278,610,000 (approximately HKD262,839,622) was fully satisfied by the issuance and allotment of 47,702,290 Consideration Shares (credited as fully paid) at HKD5.51 per TOM Share to Dynamic.

In addition, 5,802,486 Incentive Shares were allotted and issued (credited as fully paid) at HKD5.51 per TOM Share to the Dynamic pursuant to the Incentive Shares Agreement for incentive purposes. All the Incentive Shares have been deposited and pledged in favour of Hitech Profits as, inter alia, security for the guaranteed profits as described in the Circular (as amended by the Supplemental Announcement).

2003 Accumulated Guaranteed Profits

As disclosed in the section headed “Incentive Shares Agreement” in the Circular (as amended by the Supplemental Announcement), in the event if the aggregate after-tax net profit of Fench Star for the years ended 31st December, 2001, 2002 and 2003 (“2003 Accumulated After-tax Profits”) as shown in the audited income and cash flow statements of Fench Star (“Fench Star Audited Accounts”) is less than RMB117.2 million (approximately HKD110.2 million) (“2003 Accumulated Guaranteed Profits”), Hitech Profits may, at its sole discretion, require the Dealer to sell a sufficient number of the Incentive Shares at a designated time and remit the proceeds of such sale to Hitech Profits, so that Hitech Profits shall be compensated for the shortfall (which may or may not be fully covered by the sale of the Incentive Shares) between the 2003 Accumulated After-tax Profits and the 2003 Accumulated Guaranteed Profits at the then prevailing exchange rate between HKD and RMB.

Shortfall of 2003 Accumulated Guaranteed Profits

As at the date of this announcement, the Fench Star Audited Accounts for the years ended 31st December, 2001, 2002 and 2003 have not been prepared. In order to save professional and administrative costs of preparing the Fench Star Audited Accounts, on 30th April, 2004, Hitech Profits, Dynamic and Mr. Li entered into an agreement, under which the parties have agreed that the assessment of the 2003 Accumulated After-tax Profits will be based on the aggregated management accounts (“Fench Star Management Accounts”) for the years ended 31st December, 2001, 2002 and 2003 rather than audited accounts for the years ended 31st December, 2001, 2002 and 2003 as required under the Share Purchase Agreement and the Incentive Shares Agreement and hence no such audited accounts will be prepared.

The Board announces that the after-tax net profits of Fench Star as shown in the Fench Star Management Accounts for the years ended 31st December, 2001, 2002 and 2003 were RMB30,320,000 (approximately HKD28,500,000), RMB23,830,000 (approximately HKD22,400,000) and RMB23,200,000 (approximately HKD21,800,000) respectively. The 2003 Accumulated After-tax Profits based on the Fench Star Management Accounts is therefore approximately RMB77,350,000 (approximately HKD72,700,000). There is a shortfall of approximately RMB39,850,000 (approximately HKD37,500,000) (“Shortfall”) in the 2003 Accumulated Guaranteed Profits.

As the 2003 Accumulated Guaranteed Profits cannot be met, Hitech Profits will, pursuant to the Incentive Shares Agreement, require the Dealer to sell all of the Incentive Shares (being 5,802,486 TOM Shares) deposited with it and remit the proceeds of such sale to Hitech Profits to cover part of the Shortfall. The amount of the sale proceeds of the Incentive Shares depends on the market price of the TOM Shares at the time of sale, however, based on the closing price of HKD1.73 per TOM Share as quoted on the Stock Exchange on 30th April, 2004, the sale proceeds of 5,802,486 Incentive Shares will be approximately HKD10,038,300. Under the Share

Purchase Agreement and the Incentive Shares Agreement, Hitech Profits has no recourse against Dynamic or Mr. Li other than the sale of the Incentive Shares to cover the Shortfall.

By Order of the Board
TOM GROUP LIMITED
Angela Mak
Company Secretary

Hong Kong, 30th April, 2004

As at the date hereof, the non-executive Directors are Mr. Frank Sixt (Chairman of TOM), Ms. Debbie Chang, Mrs. Susan Chow, Mr. Edmond Ip, Mr. Holger Kluge, Mr. James Sha and Mr. Wang Lei Lei; the executive Directors are Mr. Sing Wang and Ms. Tommei Tong; and the independent non-executive Directors are Mr. Henry Cheong, Mrs. Angelina Lee and Ms. Anna Wu.

This announcement, for which the Directors of TOM collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to TOM. The Directors of TOM, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statements in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the website of TOM at www.tomgroup.com.

** for identification purpose*